

## Message Text

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47

ACTION TRSE-00

INFO OCT-01 EUR-12 EA-10 ISO-00 FRB-01 SP-02 AID-05 EB-07

NSC-05 RSC-01 CIEP-02 SS-15 STR-04 OMB-01 CEA-01

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SIL-01 DODE-00 PA-02 USIA-15 PRS-01 L-02 H-02 AF-10

/121 W

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P R 051648Z DEC 74

FM AMEMBASSY ROME

TO SECSTATE WASHDC PRIORITY 8525

INFO AMEMBASSY BERN

AMEMBASSY BONN

AMEMBASSY BRUSSELS

EC BRUSSELS

AMEMBASSY THE HAGUE

AMEMBASSY LONDON

AMCONSUL MILAN

AMCONSUL NAPLES

AMEMBASSY OTTAWA

AMEMBASSY PARIS

OECD PARIS

AMEMBASSY STOCKHOLM

AMEMBASSY TOKYO

UNCLAS ROME 16915

E.O. 11652: N/A

TAGS: EFIN, IT

SUBJ: ITALIAN PRESS REACTION TO GOLD SALES BY US TREASURY

REF.: STATE 265855

PASS TREAS & FRB

1. ITALIAN FINANCIAL PRESS FEATURED FRONT-PAGE ARTICLES

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AND GENERAL PRESS FEATURED ARTICLES IN THEIR FINANCIAL SECTIONS

ON SECRETARY SIMON'S ANNOUNCEMENT THAT US TREASURY WILL PUBLICLY AUCTION 2 MILLION OUNCES OF GOLD ON JANUARY 6.

2. FINANCIAL PRESS HIGHLIGHTED INITIAL CONFUSED REACTION OF GOLD MARKETS REFLECTED BY SHARP DROP IN GOLD PRICE, EVEN THOUGH POSSIBILITY OF US OFFICIAL GOLD SALES WAS SUPPOSEDLY DISCOUNTED IN THE MARKETS EARLIER. ON OTHER HAND, SOME REPORTS SUGGESTED THAT INITIAL MARKET CONFUSION WAS TEMPORARY, NOTING LIMITED AMOUNT OF GOLD TO BE SOLD IN CONTRAST TO TOTAL AMOUNT OF US GOLD HOLDINGS. ALL ARTICLES INDICATED THAT AMOUNT SCHEDULED TO BE SOLD REPRESENTS ONLY APPROXIMATELY 1 PERCENT OF US GOLD RESERVES OR 4 1/2 PERCENT OF TOTAL GOLD PURCHASED WORLDWIDE LAST YEAR BY PRIVATE CITIZENS. VARIOUS RATIONALE BEHIND SALE WERE REPORTED TO BE DESIRE OF US TREASURY TO STOP RISE IN PRICE OF GOLD, AND TO DAMPEN ENTHUSIASM FOR GOLD PURCHASES BY US CITIZENS WHEN US RESTRICTIONS ON GOLD OWNERSHIP ARE LIFTED ON JANUARY 1. OTHER RATIONALE INCLUDED REFERENCE TO DESIRE TO AVOID DEPRECIATION OF DOLLAR DUE TO GOLD IMPORTS WITH ATTENDANT INFLATIONARY EFFECTS, AND WISH TO USE PROCEEDS TO PARTLY FINANCE US BUDGET DEFICIT. IN ADDITION, SOME ARTICLES LINKED COINCIDENT DROPS IN PRICES OF OTHER NON-FERROUS METALS, ESPECIALLY SILVER, TO US ANNOUNCEMENT.

3. ARTICLES IN NON-FINANCIAL PRESS RAISED SOME OTHER INTERNATIONAL IMPLICATIONS OF PROPOSED US GOLD SALE:

1) SPECULATION THAT SOUTH AFRICA AND RUSSIA, BY WITHHOLDING GOLD PRODUCTION, COULD MAINTAIN GOLD PRICE AT RECENTLY HIGH LEVELS REGARDLESS OF US ACTIONS,

2) CONCERN ABOUT IMPACT OF GOLD SALE AND RESULTING DECLINE IN VALUE OF OFFICIAL GOLD HOLDINGS ON ABILITY OF ITALY AND OTHER EC COUNTRIES TO FINANCE BALANCE OF PAYMENTS DEFICITS, AND

3) GUESSES AS TO WHETHER OR NOT OIL-PRODUCING COUNTRIES, WHICH REPORTEDLY HAVE INVESTED IN GOLD, WOULD BE TEMPTED TO FURTHER INCREASE PRICE OF PETROLEUM IN ORDER TO OFFSET ANY LOSSES ON THEIR GOLD HOLDINGS.

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4. /COMMENT:/ EXTENSIVE COVERAGE GIVEN PROPOSED US SALE OF GOLD INDICATES INTENSE INTEREST IN ITALIAN FINANCIAL AND GENERAL PRESS CONCERNING FUTURE OF GOLD IN INTERNATIONAL MONETARY SYSTEM AND IMPLICATIONS OF PLANNED US ACTION. HOWEVER, ANALYSIS OF US ACTION IN CONTEXT OF WELL PUBLICIZED DIFFERENCES OF OPINION BETWEEN US AND SOME EUROPEAN COUNTRIES CONCERNING EVENTUAL ROLE OF GOLD IN ANY NEW INTERNATIONAL ARRANGEMENTS WAS ABSENT IN ARTICLES. ONLY EXCEPTION WAS ARTICLE IN FINANCIAL JOURNAL

DATELINED LONDON WHICH PARAPHRASED EDITORIAL ON US GOLD SALE  
IN /FINANCIAL TIMES/ (LONDON) OF DECEMBER 4.VOLPE

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**To:** STATE  
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